

# Entrepreneurship

## Calculating Financial Information

Student: \_\_\_\_\_ Date: \_\_\_\_\_ Period: \_\_\_\_\_

**1. Determine the following information utilizing Quarter 2 of the income statement of a widget manufacturing business:**

- a. Gross Income \$ \_\_\_\_\_ d. Sales Revenue: \$ \_\_\_\_\_  
b. Net Income \$ \_\_\_\_\_ e. COGS \$ \_\_\_\_\_  
c. Operating Expenses \$ \_\_\_\_\_ f. Profit/Loss \$ \_\_\_\_\_

	Q2	Q1
<b>Sales Revenue</b>		
Widgets	4,125	4,330
Repair kits	143	20
Service	1,443	1,102
<b>Total Sales Revenue</b>	5,711	5,542
<b>Sales Costs</b>		
Widgets	2,204	2,111
Repair kits	18	4
Service	1,189	947
<b>Total Sales Costs</b>	3,411	3,062
<b>Gross Profit (Loss)</b>	2,300	2,390
Gross Margin	40%	44%
<b>Operating Expenses</b>		
General & Administrative	292	301
Sales & Marketing	1,389	1,414
Research & Development	214	214
Other Operating Expenses	5	7
<b>Total Operating Expenses</b>	1,900	1,936
<b>Operating Income</b>	400	454
Operating Margin	7%	8%

**2. Determine the following information utilizing the income statement of a service business:**

- a. Gross Income \$ \_\_\_\_\_ d. Sales Revenue: \$ \_\_\_\_\_  
b. Net Income \$ \_\_\_\_\_ e. COGS \$ \_\_\_\_\_  
c. Operating Expenses \$ \_\_\_\_\_ f. Profit/Loss \$ \_\_\_\_\_

<b>ABC Service Company</b>	
<b>Income Statement</b>	
<b>For the Month Ending May 31, 20XX</b>	
<b>Service Revenue:</b>	<b>\$10,000</b>
<b>Expenses:</b>	
Office Supplies	\$ 200
Rent	1,000
Salaries	5,000
Utilities	500
<b>Total Expenses</b>	<b>6,700</b>
<b>NET INCOME:</b>	<b>\$3,300</b>

**3. Utilizing the Income Statement above, determine the break-even point for ABC Service Company.**

**Average Service Fee: \$500**      **Break-even Point:** \_\_\_\_\_ clients/month

**4. Utilizing the following information, determine how many units you must sell to break-even:**

**Widget Selling Price: \$20**      **Break-even Point:** \_\_\_\_\_ units  
**Fixed Costs: \$70,000**  
**Variable Costs (per unit): \$8**

**5. Figure your break-even point from the following example:**

Your Gross Profit Margin is 40% and the price which you sell your widgets is \$100. Your fixed expenses are \$50,000. What is your break-even point?

**Break-even Point:** \_\_\_\_\_ units

**6. Calculate interest information for the following loan amount:**

<b>Principal:</b> \$25,000	<b>Interest each year:</b> \$ _____
<b>Interest:</b> 6%	<b>Interest for Life of Loan:</b> \$ _____
<b>Length of Loan:</b> 5 years	<b>Total Repayment Amount:</b> \$ _____
	<b>Monthly Payments:</b> \$ _____

**7. Calculate interest information for the following loan amount:**

<b>Principal:</b> \$100,000	<b>Interest each year:</b> \$ _____
<b>Interest:</b> 6.25%	<b>Interest for Life of Loan:</b> \$ _____
<b>Length of Loan:</b> 10 years	<b>Total Repayment Amount:</b> \$ _____
	<b>Monthly Payments:</b> \$ _____

**8. Calculate interest information for the following loan amount:**

<b>Principal:</b> \$550,000	<b>Interest each year:</b> \$ _____
<b>Interest:</b> 7%	<b>Interest for Life of Loan:</b> \$ _____
<b>Length of Loan:</b> 20 years	<b>Total Repayment Amount:</b> \$ _____
	<b>Monthly Payments:</b> \$ _____

**9. You've just invested \$50,000 into your own business. You want a return of 15% on your money. How much annual Net Profit must you make to each your ROI objective?**

10. You've just asked an investor to sink \$15,000 into your landscape business. He will if he can make \$1,500 ROI each year. What percent of return is your investor requiring?
11. The guy in question #1 asks you for \$5,000 to start his widget company with the understanding that you expect a 10% return on your investment quarterly. Based on his income statement he provided you, will you invest in his business? *Show calculations to justify your response.*
12. The guy in question #2 also asks you for investment capital in his ABC Service business, but he wants \$100,000 to start his company. Remember, you expect a 10% return on your investment. Based on his income statement he provided you, will you invest in his business? *Turn the monthly data into an annual number, then show calculations to justify your response.*

# Entrepreneurship

## Calculating Financial Information–KEY

Student: \_\_\_\_\_ Date: \_\_\_\_\_ Period: \_\_\_\_\_

**1. Determine the following information utilizing Quarter 2 of the income statement of a widget manufacturing business:**

- |  |  |
|--|--|
| a. Gross Income \$ _____ 2,300 _____       | d. Sales Revenue: \$ _____ 5,711 _____ |
| b. Net Income \$ _____ 400 _____           | e. COGS \$ _____ 3,411 _____           |
| c. Operating Expenses \$ _____ 1,900 _____ | f. Profit/Loss \$ _____ 400 _____      |

	Q2	Q1
<b>Sales Revenue</b>		
Widgets	4,125	4,330
Repair kits	143	20
Service	1,443	1,102
<b>Total Sales Revenue</b>	5,711	5,542
<b>Sales Costs</b>		
Widgets	2,204	2,111
Repair kits	18	4
Service	1,189	947
<b>Total Sales Costs</b>	3,411	3,062
<b>Gross Profit (Loss)</b>	2,300	2,390
Gross Margin	40%	44%
<b>Operating Expenses</b>		
General & Administrative	292	301
Sales & Marketing	1,389	1,414
Research & Development	214	214
Other Operating Expenses	5	7
<b>Total Operating Expenses</b>	1,900	1,936
<b>Operating Income</b>	400	454
Operating Margin	7%	8%

**2. Determine the following information utilizing the income statement of a service business:**

- a. Gross Income \$ 10,000 d. Sales Revenue: \$ 10,000  
b. Net Income \$ 3,300 e. COGS \$ -0-  
c. Operating Expenses \$ 6,700 f. Profit/Loss \$ 3,300

<b>ABC Service Company</b>	
<b>Income Statement</b>	
<b>For the Month Ending May 31, 20XX</b>	
<b>Service Revenue:</b>	<b>\$10,000</b>
<b>Expenses:</b>	
Office Supplies	\$ 200
Rent	1,000
Salaries	5,000
Utilities	500
<b>Total Expenses</b>	<b>6,700</b>
<b>NET INCOME:</b>	<b>\$3,300</b>

**3. Utilizing the Income Statement above, determine the break-even point for ABC Service Company.**

**Average Service Fee:** \$500      **Break-even Point:** 13.4 clients/month  
 $6,700 / 500 = 13.4$

**4. Utilizing the following information, determine how many units you must sell to break-even:**

**Widget Selling Price:** \$20      **Break-even Point:** 4,375 units  
**Fixed Costs:** \$70,000       $70,000 / (20-8) = 4,375$   
**Variable Costs (per unit):** \$8

**5. Figure your break-even point from the following example:**

Your Gross Profit Margin is 40% and the price which you sell your widgets is \$100. Your fixed expenses are \$50,000. What is your break-even point?

**Break-even Point:** \_\_\_\_\_ 1,250 \_\_\_\_\_ units       $50,000 / 40 = 1,250$

**6. Calculate interest information for the following loan amount:**

<b>Principal:</b> \$25,000	<b>Interest each year:</b> \$ _____ 1,500 _____
<b>Interest:</b> 6%	<b>Interest for Life of Loan:</b> \$ _____ 7,500 _____
<b>Length of Loan:</b> 5 years	<b>Total Repayment Amount:</b> \$ _____ 32,500 _____
(60 mos)	<b>Monthly Payments:</b> \$ _____ 541.67 _____

**7. Calculate interest information for the following loan amount:**

<b>Principal:</b> \$100,000	<b>Interest each year:</b> \$ _____ 6,250 _____
<b>Interest:</b> 6.25%	<b>Interest for Life of Loan:</b> \$ _____ 62,500 _____
<b>Length of Loan:</b> 10 years	<b>Total Repayment Amount:</b> \$ _____ 162,500 _____
(120 mos)	<b>Monthly Payments:</b> \$ _____ 1,354.17 _____

**8. Calculate interest information for the following loan amount:**

<b>Principal:</b> \$550,000	<b>Interest each year:</b> \$ _____ 38,500 _____
<b>Interest:</b> 7%	<b>Interest for Life of Loan:</b> \$ _____ 770,000 _____
<b>Length of Loan:</b> 20 years	<b>Total Repayment Amount:</b> \$ _____ 1,320,000 _____
(240 mos)	<b>Monthly Payments:</b> \$ _____ 5,500 _____

**9. You've just invested \$50,000 into your own business. You want a return of 15% on your money. How much annual Net Profit must you make to each your ROI objective?**

$$50,000 \times .15 = \$7,500$$

10. You've just asked an investor to sink \$15,000 into your landscape business. He will if he can make \$1,500 ROI each year. What percent of return is your investor requiring?

$$1,500 / 15,000 = .10 = 10\%$$

11. The guy in question #1 asks you for \$5,000 to start his widget company with the understanding that you expect a 10% return on your investment quarterly. Based on his income statement he provided you, will you invest in his business? *Show calculations to justify your response.*

$$5,000 \times .10 = \$500 \quad (\text{Q2 shows } \$400) \quad \text{NO}$$

12. The guy in question #2 also asks you for investment capital in his ABC Service business, but he wants \$100,000 to start his company. Remember, you expect a 10% return on your investment. Based on his income statement he provided you, will you invest in his business? *Turn the monthly data into an annual number, then show calculations to justify your response.*

ABC Service's annual net:	$3,300 \times 12 = 39,600$	
	$100,000 \times .10 = 10,000$	YES